
LOUISIANA RESOURCE CENTER FOR EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2012



A Professional Accounting Corporation

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LOUISIANA RESOURCE CENTER FOR EDUCATORS

FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Louisiana Resource Center for Educators
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Resource Center for Educators (the Organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Resource Center for Educators as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, on pages 19 through 24, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
November 27, 2012

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 925,402	\$ 891,334
Cash and cash equivalents - restricted	133,490	218,586
Accounts receivable	156,898	179,572
Promises to give	66,300	61,000
Inventory	4,730	4,987
Prepaid expenses and other assets	9,353	5,442
Total current assets	<u>1,296,173</u>	<u>1,360,921</u>
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	100,509	-
Furniture and equipment	892,945	769,034
Building and improvements	3,484,804	3,484,804
Library	76,945	76,945
	<u>4,555,203</u>	<u>4,330,783</u>
Less: accumulated depreciation	(1,115,820)	(955,841)
Net property and equipment	<u>3,439,383</u>	<u>3,374,942</u>
<u>PROMISES TO GIVE, non-current portion</u>	<u>-</u>	<u>9,000</u>
Total Assets	<u>\$ 4,735,556</u>	<u>\$ 4,744,863</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 105,080	\$ 59,712
Other liabilities	187,851	121,292
Notes payable, current portion	78,510	74,186
Total current liabilities	<u>371,441</u>	<u>255,190</u>
Notes payable, non-current portion	<u>2,518,562</u>	<u>2,611,674</u>
Total Liabilities	<u>2,890,003</u>	<u>2,866,864</u>

NET ASSETS

Unrestricted	1,653,939	1,598,413
Temporarily restricted	191,614	279,586
Total net assets	<u>1,845,553</u>	<u>1,877,999</u>
Total Liabilities and Net Assets	<u>\$ 4,735,556</u>	<u>\$ 4,744,863</u>

The accompanying notes are an integral part of these statements.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE:</u>			
Public support	\$ 382,474	\$ 269,491	\$ 651,965
Grants from governmental agency	266,675	-	266,675
Minimum foundation program	1,601,551	-	1,601,551
Program service fees	769,330	-	769,330
Interest revenue	2,039	-	2,039
Contributions - in kind	134,023	-	134,023
Other revenue	75,346	-	75,346
Miscellaneous	58,350	-	58,350
Total support and revenue	3,289,788	269,491	3,559,279
Net assets released from restriction	357,463	(357,463)	-
Total revenue and other support	3,647,251	(87,972)	3,559,279
<u>EXPENSES:</u>			
Program services	2,619,448	-	2,619,448
Management and general	907,183	-	907,183
Fundraising	65,094	-	65,094
Total expenses	3,591,725	-	3,591,725
Changes in net assets	55,526	(87,972)	(32,446)
Net assets - beginning of year	1,598,413	279,586	1,877,999
Net assets - end of year	\$ 1,653,939	\$ 191,614	\$ 1,845,553

The accompanying notes are an integral part of these statements.

2011

Unrestricted	Temporarily Restricted	Total
\$ 211,509	\$ 344,165	\$ 555,674
149,000	33,441	182,441
-	-	-
1,040,766	-	1,040,766
5,545	-	5,545
42,488	-	42,488
141,164	-	141,164
49,931	-	49,931
1,640,403	377,606	2,018,009
435,416	(435,416)	-
2,075,819	(57,810)	2,018,009
1,255,413	-	1,255,413
489,888	-	489,888
146,638	-	146,638
1,891,939	-	1,891,939
183,880	(57,810)	126,070
1,414,533	337,396	1,751,929
\$ 1,598,413	\$ 279,586	\$ 1,877,999

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

2012

	Program Services	Management and General	Fundraising	Total
Adjunct faculty and presenters	\$ 225,893	\$ -	\$ -	\$ 225,893
Advertising	3,720	-	1,837	5,557
Bad debt expense	-	16,468	-	16,468
Bank charges	5,543	2,855	-	8,398
Depreciation and amortization	111,378	48,600	-	159,978
Dues and subscriptions	2,626	591	-	3,217
Employee training	13,623	25	-	13,648
Food services	102,655	-	-	102,655
Grants and contracts	51,436	-	-	51,436
In-kind expenses	118,035	-	-	118,035
Insurance	15,249	25,930	-	41,179
Interest	86,933	44,784	-	131,717
Library expenses	26,273	-	-	26,273
Miscellaneous	15,291	8,493	-	23,784
Moving	6,136	-	-	6,136
Postage	16,069	1,441	1,441	18,951
Printing	2,511	3,454	3,454	9,419
Professional services	33,147	131,207	-	164,354
Recruiting	609	28,695	-	29,304
Rental expense	23,923	5,738	-	29,661
Repairs and maintenance	91,577	20,592	-	112,169
Salaries and benefits	957,275	509,033	58,362	1,524,670
Sales tax	1,071	-	-	1,071
Software and technology	13,480	6,908	-	20,388
Materials and supplies	211,450	32,377	-	243,827
Telephone	2,328	6,123	-	8,451
Transportation	415,479	-	-	415,479
Travel	3,023	1,128	-	4,151
Utilities	62,715	12,741	-	75,456
	<u>\$ 2,619,448</u>	<u>\$ 907,183</u>	<u>\$ 65,094</u>	<u>\$ 3,591,725</u>

The accompanying notes are an integral part of these statements.

2011

Program Services	Management and General	Fundraising	Total
\$ 247,731	\$ -	\$ -	\$ 247,731
2,687	-	1,097	3,784
-	-	-	-
-	9,962	-	9,962
85,595	36,684	13,587	135,866
5,929	803	-	6,732
818	-	-	818
-	-	-	-
127,048	-	-	127,048
-	42,488	-	42,488
-	25,949	-	25,949
93,467	62,312	-	155,779
23,513	-	-	23,513
18,858	2,848	-	21,706
-	-	-	-
10,494	1,418	1,027	12,939
21,408	3,300	1,414	26,122
68,068	32,137	-	100,205
-	-	-	-
-	16,044	-	16,044
-	59,634	-	59,634
478,743	156,579	121,254	756,576
513	-	-	513
14,042	5,161	911	20,114
21,119	19,197	3,125	43,441
-	4,100	-	4,100
-	-	-	-
9,078	-	48	9,126
26,302	11,272	4,175	41,749
<u>\$ 1,255,413</u>	<u>\$ 489,888</u>	<u>\$ 146,638</u>	<u>\$ 1,891,939</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (32,446)	\$ 126,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	159,978	135,866
Bad debt expense	16,468	-
Forgiveness of debt	(15,000)	-
In-kind donor contributions of capitalized equipment	(15,988)	-
Changes in operating assets and liabilities:		
Accounts receivable	6,206	(105,693)
Prepaid expenses	(3,911)	188
Promises to give	3,700	58,400
Inventory	257	(3,316)
Accounts payable and other liabilities	111,927	(30,010)
Net cash provided by operating activities	<u>231,191</u>	<u>181,505</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	<u>(208,431)</u>	<u>(10,226)</u>
Net cash used in investing activities	<u>(208,431)</u>	<u>(10,226)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from notes payable	-	2,570,000
Payments on notes	<u>(73,788)</u>	<u>(2,872,528)</u>
Net cash used in financing activities	<u>(73,788)</u>	<u>(302,528)</u>
Net decrease in cash and cash equivalents	(51,028)	(131,249)
Cash and cash equivalents - beginning of year	<u>1,109,920</u>	<u>1,241,169</u>
Cash and cash equivalents - end of year	<u>\$ 1,058,892</u>	<u>\$ 1,109,920</u>
<u>Supplemental disclosures:</u>		
Cash paid during the year for interest	<u>\$ 144,180</u>	<u>\$ 161,519</u>

The accompanying notes are an integral part of these statements.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization and Purpose

The Louisiana Resource Center for Educators (the Organization or LRCE) is a 501(c)(3) not-for-profit, community based organization, governed by a board of directors. The purpose of the Organization is educational, namely responding to the needs of Louisiana educators and students by providing innovative training for teachers in all content areas and making a multi-media lending library of instructional materials available to thousands of teachers. Sources of income include donations (public support), grants from governmental agencies, and fees charged for training both at the LRCE facility and off site.

The East Baton Rouge Parish School System (EBRPSS) approved the granting of a charter to the Organization on February 17, 2011, for an initial period beginning on July 1, 2011, and ending on June 30, 2016, to operate a Type 1 Charter School, as defined in LA R.S. 17:3971. The Organization, doing business as, the Career Academy (the Academy), opened for the 2011-2012 school year with an enrollment of approximately 170 students. The initial charter is for five years but will be re-evaluated after three years. Upon expiration, the charter will be renewed for successive periods of ten years, subject to the review by the East Baton Rouge Parish School System of the Academy's operations and compliance with requirements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Organization did not have any permanently restricted net assets at either June 30, 2012 or 2011.

Grants which are cost reimbursable under federal contracts are recorded as unrestricted net assets in the Statement of Activities.

Property and Equipment

Property and equipment is recorded at cost. Depreciation of property and equipment is based upon the estimated useful service lives, which range from 3 to 40 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements are capitalized. The majority of leasehold improvements are being amortized over the life of the charter school agreement ending June 30, 2016.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Allowance for Uncollectible Accounts

As of June 30, 2012 and 2011, all accounts were considered collectible; therefore, no allowance for uncollectible accounts has been established. Accounts are considered past due based on their contractual terms. Receivables are closely monitored by management during the year and all accounts considered to be uncollectible are written-off.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services and Assets

The Organization records contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. Donated equipment and other non-cash donations are recorded as contributions at their fair value at the date of donation.

See Note 8 for a description of the contributed services and assets received for the years ended June 30, 2012 and 2011.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include all highly liquid debt instruments and certificates of deposit with original maturities of three months or less. At certain times throughout the year, the balances in the cash accounts may have exceeded the amount insured by the Federal Deposit Insurance Corporation. Management, however, believes the credit risk associated with these deposits is minimal.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are due to the Organization during the fiscal year June 30, 2013.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing for the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Organization expenses the cost of advertising as incurred. Total advertising expenses for the years ended June 30, 2012 and 2011 were \$5,557 and \$3,784, respectively.

Income Taxes

The Organization is exempt from federal income taxes on its related income under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made. However, if the Organization would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization had no material unrelated business income for the fiscal years ended June 30, 2012 and 2011.

In Management's judgment, the Organization does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Organization's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2009.

Reclassifications

Certain amounts from the June 30, 2011 financial statements have been reclassified in order to conform to the 2012 presentation.

2. Concentration of Support

The Organization receives grants from the private and public sector. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education and the East Baton Rouge School Board. Additionally, the Academy received Minimum Foundation Program (MFP) funding from East Baton Rouge Parish School System which was an allocation of its MFP funding provided by the State of Louisiana and local taxes. Substantially all state grants and support are unrestricted as to use.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. **Concentration of Support** (continued)

The Academy received approximately 74% of its support from the MFP, 6% of its support from federal grants passed through the Louisiana Department of Education, and approximately 20% of its support from the private sector during the year ended June 30, 2012. The MFP funding represents 45% of the total revenues of the Organization for the year ended June 30, 2012. Given this is the first year of charter school operations for the Organization, there was no MFP funding during the year ended June 30, 2011.

3. **Federal Grants**

The Organization is a sub-grantee of a federal award totaling \$129,600 and \$108,000 for the years ended June 30, 2012 and 2011, respectively. This grant was passed through from the National Science Foundation through the Louisiana Department of Education and the Louisiana State University. In addition, the Academy received Federal grants from the U.S. Department of Education under Public Charter Schools Federal Grant Program, Title I, Federal Food Service and Alcohol/Drug Abuse Prevention Program which totaled \$137,075 and \$33,441 for the years ended June 30, 2012 and 2011, respectively. These grants were passed through the Louisiana Department of Education and The East Baton Rouge Parish School Board.

4. **Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Charter School Program	\$ 142,326	\$ 182,086
Library Support	17,124	27,500
Capital Campaign	11,000	70,000
Student Apprentice Project	21,164	-
Total temporarily restricted net assets	<u>\$ 191,614</u>	<u>\$ 279,586</u>

5. **Net Assets Released From Restrictions**

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended:

	<u>2012</u>	<u>2011</u>
Charter School Incubator	\$ -	\$ 87,614
Capital Campaign / Building Loan Payments	59,000	133,400
Library Support	40,537	43,725
Raising Radishes	4,800	4,800
Williamsburg Institute	-	28,750
Charter School Program	253,126	137,127
Total restrictions released	<u>\$ 357,463</u>	<u>\$ 435,416</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Leases

The Organization has four operating leases for copiers. The copiers are leased under five-year or three-year operating lease agreements. The leases expire between January, 2014 and July, 2015. The leases are renewable on the same terms on a monthly basis unless the option to purchase at fair value is exercised or the equipment is returned.

The Organization has one operating lease entered into March 3, 2010 for a mail machine. The mail machine is leased under a five-year operating lease. The lease expires in March 2015. The lease is renewable on the same terms on a monthly basis unless the option to purchase at fair value is exercised or the equipment is returned.

The Organization also has a lease to use the Capital High School Labs. The lease was entered into on February 1, 2012 and expires on January 31, 2017. Payments are approximately \$1,300 for the months of February 2012 through July 2012 and increase to \$4,460 per month for the remainder of the lease.

The following represents the Organization's annual obligations on its leases:

<u>Years Ending</u> <u>June 30th</u>	
2013	\$ 69,109
2014	69,268
2015	58,775
2016	53,524
2017	<u>31,223</u>
	<u>\$ 281,899</u>

Total rent expense charged to operations during the years ended June 30, 2012 and 2011, was approximately \$29,661 and \$16,044, respectively.

7. Notes Payable

LRCE entered into a loan agreement with a financial institution on December 21, 2010, which restructured two previous notes held with the financial institution into one note. The loan amount was \$2,600,000, with monthly principal and interest payments beginning in January 2011 in the amount of \$18,614 per month. A final balloon payment of \$2,009,124 is due at maturity, December 25, 2017. The note bears an interest rate of 5.60%. The note is secured by the building and the balance at June 30, 2012 and 2011 was \$2,492,072 and \$2,565,860, respectively.

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. Notes Payable (continued)

LRCE received \$135,000 as part of a loan agreement with the Office of Community Development during the year ended June 30, 2009. An additional \$15,000 was received during the year ended June 30, 2010, once the clear lien certificate was received. These funds were to be used for the rehabilitation of the building. This is a principal only loan with a term of 10 years. The repayment terms of the note will be forgiven as long as LRCE can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount. The balance at June 30, 2012 and 2011 was \$105,000 and \$120,000, respectively.

The notes payable are scheduled to mature or be forgiven as follows:

<u>Year Ending</u> <u>June 30th</u>	
2013	\$ 78,510
2014	83,085
2015	87,927
2016	93,051
2017	98,474
Thereafter	<u>2,156,025</u>
	<u>\$ 2,597,072</u>

8. Contributed Services and In-Kind Revenue

For the year ended June 30, 2012, the Organization received non-cash contributions of \$134,023 which included advertising costs of \$106,600, as well as, software and various types of electronic classroom equipment including computers and smart boards. For the year ended June 30, 2011, the total value of contributed services meeting the requirements for recognition in the financial statements was \$36,238. Contributed services represent hours worked by lawyers, and accountants. LRCE also received an in kind donation \$6,250 for use in public service announcements.

During the year ended June 30, 2012, the Organization entered into a verbal agreement with the East Baton Rouge Parish School Board for space to operate the charter school which is located at the old Brookstown Elementary site in exchange for a monthly rental fee of \$100, making all necessary leasehold improvements, and providing continued maintenance to the facility. Unless specifically notified by the East Baton Rouge Parish School Board, the term of this verbal agreement is expected to remain in affect over the life of the charter school agreement which expires June 30, 2016. Since the donated fair value of this lease agreement cannot be determined with reasonable certainty it is not included in the accompanying financial statements.

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 27, 2012, and determined that no other events would require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
Louisiana Resource Center for Educators
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Resource Center for Educators as of and for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Louisiana Resource Center for Educators is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Louisiana Resource Center for Educator's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Resource Center for Educator's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Resource Center for Educators' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Organization in a separate letter dated November 27, 2012.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite ; Netterville

Baton Rouge, Louisiana

November 27, 2012

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDITORS' RESULTS

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies(s) identified that are
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial
statements noted? _____ yes X no

B. FINDINGS AND QUESTIONED COSTS

None

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

A. FINDINGS AND QUESTIONED COSTS

None

B. MANAGEMENT LETTER COMMENTS

None

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

DEPARTMENTAL STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

	<u>LRCE</u>	<u>Career Academy</u>	<u>Eliminations</u>	<u>Total</u>
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 905,942	\$ 19,460	\$ -	\$ 925,402
Cash and cash equivalents - restricted	-	133,490	-	133,490
Accounts receivable	137,653	115,245	(96,000)	156,898
Promises to give	36,300	30,000	-	66,300
Inventory	4,730	-	-	4,730
Prepaid expenses and other assets	9,353	-	-	9,353
Total current assets	<u>1,093,978</u>	<u>298,195</u>	<u>(96,000)</u>	<u>1,296,173</u>
<u>PROPERTY AND EQUIPMENT</u>				
Leasehold improvements	-	100,509	-	100,509
Furniture and equipment	771,533	121,412	-	892,945
Building and improvements	3,484,804	-	-	3,484,804
Library	76,945	-	-	76,945
	<u>4,333,282</u>	<u>221,921</u>	<u>-</u>	<u>4,555,203</u>
Less: accumulated depreciation	(1,071,757)	(44,063)	-	(1,115,820)
Net property and equipment	<u>3,261,525</u>	<u>177,858</u>	<u>-</u>	<u>3,439,383</u>
Total Assets	<u>\$ 4,355,503</u>	<u>\$ 476,053</u>	<u>\$ (96,000)</u>	<u>\$ 4,735,556</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 57,667	\$ 47,413	\$ -	\$ 105,080
Other liabilities	90,300	193,551	(96,000)	187,851
Notes payable, current portion	78,510	-	-	78,510
Total current liabilities	<u>226,477</u>	<u>240,964</u>	<u>(96,000)</u>	<u>371,441</u>
Notes payable, non-current portion	<u>2,518,562</u>	<u>-</u>	<u>-</u>	<u>2,518,562</u>
Total Liabilities	<u>2,745,039</u>	<u>240,964</u>	<u>(96,000)</u>	<u>2,890,003</u>
<u>NET ASSETS</u>				
Unrestricted	1,582,340	71,599	-	1,653,939
Temporarily restricted	28,124	163,490	-	191,614
Total net assets	<u>1,610,464</u>	<u>235,089</u>	<u>-</u>	<u>1,845,553</u>
Total Liabilities and Net Assets	<u>\$ 4,355,503</u>	<u>\$ 476,053</u>	<u>\$ (96,000)</u>	<u>\$ 4,735,556</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

DEPARTMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>LRCE</u>		<u>Career Academy</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<u>SUPPORT AND REVENUE:</u>				
Public support	\$ 324,947	\$ 34,961	\$ 57,527	\$ 234,530
Grants from governmental agency	129,600	-	137,075	-
Minimum foundation program	-	-	1,601,551	-
Program service fees	851,286	-	14,044	-
Interest income	2,039	-	-	-
Contributions - in kind	-	-	134,023	-
Other revenue	119,250	-	14,446	-
Total support and revenue	<u>1,427,122</u>	<u>34,961</u>	<u>1,958,666</u>	<u>234,530</u>
Net assets released from restriction	<u>104,337</u>	<u>(104,337)</u>	<u>253,126</u>	<u>(253,126)</u>
Total revenue and other support	<u>1,531,459</u>	<u>(69,376)</u>	<u>2,211,792</u>	<u>(18,596)</u>
<u>EXPENSES:</u>				
Program services	1,038,806	-	1,693,110	-
Management and general	443,632	-	447,083	-
Fundraising	65,094	-	-	-
Total expenses	<u>1,547,532</u>	<u>-</u>	<u>2,140,193</u>	<u>-</u>
Changes in net assets	(16,073)	(69,376)	71,599	(18,596)
Net assets - beginning of year	<u>1,598,413</u>	<u>97,500</u>	<u>-</u>	<u>182,086</u>
Net assets - end of year	<u>\$ 1,582,340</u>	<u>\$ 28,124</u>	<u>\$ 71,599</u>	<u>\$ 163,490</u>

<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 651,965
-	266,675
-	1,601,551
(96,000)	769,330
-	2,039
-	134,023
-	133,696
<u>(96,000)</u>	<u>3,559,279</u>
-	-
<u>(96,000)</u>	<u>3,559,279</u>
(96,000)	2,635,916
-	890,715
-	65,094
<u>(96,000)</u>	<u>3,591,725</u>
-	(32,446)
-	1,877,999
<u>\$ -</u>	<u>\$ 1,845,553</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

DEPARTMENTAL STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

LRCE

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Adjunct faculty and presenters	\$ 225,893	\$ -	\$ -	\$ 225,893
Advertising	3,720	-	1,837	5,557
Bad debt expense	16,468	-	-	16,468
Bank charges	5,543	2,855	-	8,398
Depreciation and amortization	76,505	39,411	-	115,916
Dues and subscriptions	2,626	591	-	3,217
Employee training	473	25	-	498
Food services	-	-	-	-
Grants and contracts	51,436	-	-	51,436
In-kind expense	-	-	-	-
Insurance	15,249	7,855	-	23,104
Interest	86,933	44,784	-	131,717
Library expenses	26,273	-	-	26,273
Miscellaneous	4,826	7,633	-	12,459
Moving	-	-	-	-
Postage	16,069	1,441	1,441	18,951
Printing	2,511	3,454	3,454	9,419
Professional services	33,147	13,097	-	46,244
Recruiting	-	-	-	-
Rental expense	10,944	5,638	-	16,582
Repairs and maintenance	39,973	20,592	-	60,565
Salaries and benefits	363,194	250,662	58,362	672,218
Sales tax	1,071	-	-	1,071
Software and technology	13,480	6,908	-	20,388
Materials and supplies	12,388	23,837	-	36,225
Telephone	2,328	1,200	-	3,528
Transportation	-	-	-	-
Travel and fundraising	3,023	908	-	3,931
Utilities	24,733	12,741	-	37,474
	<u>\$ 1,038,806</u>	<u>\$ 443,632</u>	<u>\$ 65,094</u>	<u>\$ 1,547,532</u>

Career Academy			Eliminations	Total Departmental			
Program Services	Management and General	Total		Program Services	Management and General	Fundraising	Total
\$ -	\$ -	\$ -	\$ -	\$ 225,893	\$ -	\$ -	\$ 225,893
-	-	-	-	3,720	-	1,837	5,557
-	-	-	-	16,468	-	-	16,468
-	-	-	-	5,543	2,855	-	8,398
34,873	9,189	44,062	-	111,378	48,600	-	159,978
-	-	-	-	2,626	591	-	3,217
13,150	-	13,150	-	13,623	25	-	13,648
102,655	-	102,655	-	102,655	-	-	102,655
-	-	-	-	51,436	-	-	51,436
118,035	-	118,035	-	118,035	-	-	118,035
-	18,075	18,075	-	15,249	25,930	-	41,179
-	-	-	-	86,933	44,784	-	131,717
-	-	-	-	26,273	-	-	26,273
10,465	860	11,325	-	15,291	8,493	-	23,784
6,136	-	6,136	-	6,136	-	-	6,136
-	-	-	-	16,069	1,441	1,441	18,951
-	-	-	-	2,511	3,454	3,454	9,419
-	118,110	118,110	-	33,147	131,207	-	164,354
609	28,695	29,304	-	609	28,695	-	29,304
12,979	100	13,079	-	23,923	5,738	-	29,661
51,604	-	51,604	-	91,577	20,592	-	112,169
690,081	258,371	948,452	(96,000)	957,275	509,033	58,362	1,524,670
-	-	-	-	1,071	-	-	1,071
-	-	-	-	13,480	6,908	-	20,388
199,062	8,540	207,602	-	211,450	32,377	-	243,827
-	4,923	4,923	-	2,328	6,123	-	8,451
415,479	-	415,479	-	415,479	-	-	415,479
-	220	220	-	3,023	1,128	-	4,151
37,982	-	37,982	-	62,715	12,741	-	75,456
<u>\$ 1,693,110</u>	<u>\$ 447,083</u>	<u>\$ 2,140,193</u>	<u>\$ (96,000)</u>	<u>\$ 2,635,916</u>	<u>\$ 890,715</u>	<u>\$ 65,094</u>	<u>\$ 3,591,725</u>

LOUISIANA RESOURCE CENTER FOR EDUCATORS
BATON ROUGE, LOUISIANA

SCHEDULE OF EDUCATIONAL EXPENSES - CAREER ACADEMY
FOR THE YEAR ENDED JUNE 30, 2012

Program Services

Regular education programs	\$ 628,137
Career and tech education programs	7,322
Special education programs	82,147
Other education programs	7,427
Pupil support services	84,463
Instructional staff services	13,475
Plant operation and maintenance	725,968
Food service	96,368
Central services	47,803
Total program services	\$ 1,693,110

Management and general

General administration services	\$ 60,115
School administration services	384,936
Business services	2,032
Total management and general	\$ 447,083

To the Board of Directors
Louisiana Resource Center for Educators
Baton Rouge, LA

We have audited the financial statements of Louisiana Resource Center for Educators (the Organization), for the year ended June 30, 2012 and have issued our report thereon. As part of our examination, we made a study and evaluation of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of the financial statements.

The objective of internal control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of the financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

No matter how good a system, there are inherent limitations that should be recognized in considering the potential effectiveness of internal accounting. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the degree of compliance with the procedures may deteriorate. We say this simply to suggest that any system needs to be constantly reviewed and improved where necessary.

During the course of our audit, we made the following observations which we feel should be brought to your attention. Concerning these matters, we offer the following comments and recommendations:

1) Proper Capitalization of In-Kind Assets

During our testing of fixed assets, we noted that several assets recorded on the fixed asset listing represented only a portion of the costs of those assets. It was determined that the remaining cost of the equipment was donated to the Organization by various individuals and these amounts were not properly recorded as donations in-kind. Since the transaction did not involve cash, the activity was not recorded appropriately in the general ledger by recording the in-kind donation and increasing the fixed assets on the fixed asset listing and on the general ledger.

We recommend that all non-cash activities be recorded at fair value when the assets are received to properly reflect the items on the balance sheet and income statement.

Management agrees with this recommendation and will review the Organizations processes related to appropriately recording non-cash transactions, specifically those related to in-kind donations.

2.) Accounts Payable and Credit Card Purchases

During our search for unrecorded liabilities, we noted that credit card purchases relating to goods received prior to the fiscal year end were not properly recorded as payables in the appropriate accounting period.

We recommend that credit card statements subsequent to the reporting period be reviewed for proper accrual of expenses for goods received and these amounts reflected as such on the balance sheet.

Management agrees with this recommendation and will instruct the Director of Finance to review credit card statements for proper accrual each period so the amounts are reflected on the balance sheet.

Postlethwaite ; Notterville

Baton Rouge, Louisiana
December 10, 2012